

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 EB-07 NSC-05 CIAE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 L-03 COME-00 STR-04

OPIC-03 TRSE-00 TAR-01 OMB-01 XMB-02 CIEP-01 /072 W

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R 130728Z NOV 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 4639

INFO AMEMBASSY LONDON

LIMITED OFFICIAL USE BUDAPEST 3647

E.O. 11652: N/A

TAGS: EEWT, ETRD, EMAE, HU

SUBJ: GENERAL MOTORS SIGNS AGREEMENT WITH HUNGARY

REF: BUDAPEST 3629 (NOTAL)

1. REFTEL WAS USIAC CABLE WHICH DESCRIBED IN GENERAL TERMS SIGNING OF AGREEMENT NOV 11 BETWEEN GENERAL MOTORS CORPORATION AND MOGURT, HUNGARIAN FOREIGN TRADING ORGANIZATION (FTO) RESPONSIBLE FOR AUTOMOTIVE AND OTHER VEHICLE IMPORTS AND EXPORTS. UMBRELLA AGREEMENT IN GENERAL CALLS FOR INCREASED TRADE AND INDUSTRIAL COOPERATION PROJECTS. AS NOTED REFTEL, FIRST SPECIFIC PROJECT INVOLVES SHIPMENT BY HUNGARIAN FIRM RABA TO GENERAL MOTORS-VAUXHALL OF 10,000 REAR AXLE ASSEMBLIES FOR TRUCKS.

2. GENERAL MOTORS HAS NEGOTIATED LONG AND HARD ON THIS CONTRACT. OCCASION OF FIRST JOINT MEETING OF HUNGARIAN/ AMERICAN JOINT ECONOMIC COUNCIL (SEPTTEL) PROVIDED OPPORTUNITY FOR SENIOR GENERAL MOTORS REPRESENTATIVE (VP OF GM OVERSEAS NEWTON) TO PARTICIPATE IN MEETING AND WRAP UP CONTRACT IN ONE TRIP. THERE ARE ACTUALLY TWO AGREEMENTS; "UMBRELLA" ARRANGEMENT IS THE FIRST CONTRACT WE KNOW OF WITH WESTERN FIRM WHICH SPECIFICALLY MENTIONS AN LIMITED OFFICIAL USE

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"EVIDENCE" ACCOUNT. GENERAL MOTORS' SALES AND PURCHASES

IN HUNGARY WILL ALL BE TAKEN INTO ACCOUNT IN DETERMINING THE FUTURE COURSE OF TRADE BETWEEN THE TWO SIDES. "EVIDENCE" FEATURE OF CONTRACT WAS NOT ANNOUNCED PUBLICLY.

3. "EVIDENCE" ACCOUNT TACITLY RECOGNIZES GM'S PAST PURCHASES OF REFRIGERATORS FROM HUNGARY FOR MARKETING THROUGHOUT EUROPE UNDER FRIGIDAIRE NAME. ACCORDING TO GENERAL MOTORS, HUNGARIAN "TABLE TOP" REFRIGERATOR WOULD BE SALEABLE IN THE U.S. IF THE TARIFF RATE WERE NOT SO HIGH (DUE TO LACK OF MFN). ON THE OTHER SIDE OF THE LEDGER GENERAL MOTORS SELLS A LIMITED NUMBER OF VEHICLES IN HUNGARY, MOSTLY THROUGH ITS EUROPEAN SUBSIDIARIES, AND HOPES TO SELL GM'S ALLISON TRANSMISSIONS FOR USE IN HUNGARIAN BUSES.

4. SEPARATE BUT RELATED CONTRACT IS FOR PURCHASE BY GENERAL MOTORS OF 10,000 REAR AXLE ASSEMBLIES FOR USE IN TRUCKS AND BUSES MANUFACTURED BY GM-VAUXHALL IN ENGLAND; THAT VALUE COULD REACH \$15 MILLION OVER NEXT FIVE YEARS. RABA HAS SOUGHT THIS BUSINESS FOR SOME TIME; AT FIRST AXLES WERE OVERPRICED, BUT HUNGARIANS RETURNED TO DRAWING BOARDS AND DESIGNED CHEAPER UNIT TO GM'S SPECIFICATIONS.

5. RABA, MANAGED BY HSWP CENTRAL COMMITTEE MEMBER EDE HORVATH, ALREADY HAS MAJOR CONTRACT TO SUPPLY REAR AXLES FOR LARGE AGRICULTURAL TRACTOR ASSEMBLED IN U.S. BY STEIGER TRACTOR COMPANY (NOW OWNED 35 PERCENT BY INTERNATIONAL HARVESTER COMPANY). IN HUNGARIAN EYES, NEW GENERAL MOTORS CONTRACT WILL BE FINAL PROOF THAT AMERICAN FIRMS CAN USE HUNGARIAN TECHNOLOGICAL PRODUCTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, NEGOTIATIONS, CONTRACTS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUDAPE03647
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750395-0674
From: BUDAPEST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751147/aaaabpyl.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BUDAPEST 3629
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by BoyleJA>; APPROVED <14 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GENERAL MOTORS SIGNS AGREEMENT WITH HUNGARY
TAGS: EEW, ETRD, EMAE, HU, GENERAL MOTORS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006